MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

ANNUAL REPORT

For the Year Ended
December 31, 1989

90-04693/

Municipal Financing Corporation of Saskatchewan

Letter of Transmittal

Regina, Saskatchewan
March 22, 1990

To The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan.

Madam:

I have the honour to submit herewith the annual report of the Municipal Financing Corporation of Saskatchewan for the year ended December 31, 1989, including the financial statements therefore, duly certified by E.J.C. Dudley & Co., the Corporation's external auditors, and in the form approved by the Treasury Board, all in accordance with The Municipal Financing Corporation Act.

I have the honour to be, Madam,

Your obedient servant,

L. H. Hepworth,
Minister of Finance
and Minister Responsible,
Municipal Financing
Corporation of Saskatchewan.

DIRECTORS

Honourable L. H. Hepworth,
Chairman

Honourable N. H. Hardy,
Vice-Chairman

Honourable P. A. Smith

Honourable H. A. Martens

OFFICERS

Mr. W. Davern Jones,
General Manager

Mr. W. D. Baldwin,
Assistant General Manager

Mr. J. L. Wright,
Treasurer

Mr. I. D. Disbery,
Secretary to the Board

Municipal Financing Corporation of Saskatchewan

Annual Report 1989

The Municipal Financing Corporation of Saskatchewan was established to assist in making capital funds available for the financing of school, hospital and other essential construction and local improvement projects in cities, towns, villages and rural areas throughout the Province. The Corporation may borrow directly from private lending institutions or through the Department of Finance. The Corporation uses the funds borrowed to purchase a portion of the authorized debentures sold each year by Saskatchewan local governments.

During the year under review, the Corporation participated in the financing of 30 projects throughout Saskatchewan by purchasing $12.5 million of municipal debentures. At year end, the Corporation had outstanding commitments to purchase a further $3.069 million upon delivery of the debentures. The Corporation recorded net earnings of $2.412 million for 1989 compared to net earnings of $2.797 million for 1988. In addition, a new debenture purchase policy was implemented in the current year, whereby the Corporation is allowed to purchase up to 100% of any debenture issues for the financing of sewer and water projects by local governments. During 1989, $1.737 million of debentures were approved to finance sewer and water projects.

The Corporation's debenture holdings at December 31, 1989 totalled $150.2 million, up $1.7 million from the total at December 31, 1988.

The Municipal Financing Corporation of Saskatchewan is administered by a Board of Directors through use of staff and facilities provided by the Department of Finance and the Crown Investments Corporation of Saskatchewan (CIC). The Corporation paid $29 thousand in 1989 for reimbursement of the costs to CIC of providing administrative services as well as for audit fees. The Municipal Financing Corporation of Saskatchewan made no payments to the Department of Finance for administrative charges. The Directors do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in the current year. A table showing results of operations for the year under review, as compared to the previous year, is set out on page 4. A detailed listing of debenture purchases in the current year is presented in schedular form on page 5.

Municipal Financing Corporation of Saskatchewan

Comparative Table of Operations

For the Year Ended December 31

	1989	1988
	(thousands of dollars)	
Amount of debentures approved by the Corporation (net of subsequent reductions)	$ 13,144	$ 23,211
Prior year's purchase commitments carried forward	2,425	5,819
Total purchase commitments for the year	15,569	29,030
Purchases completed	(12,500)	(26,605)
Purchase commitments outstanding at the year end	$ 3,069	$ 2,425

Municipal Financing Corporation of Saskatchewan

Debentures Purchased in 1989

(thousands of dollars)

Arcola School Division No. 72	$	350
Battle River School Division No. 60		926
City of Prince Albert		333
Grand Coulee School Division No. 110		162
Herbert School Division No. 79		213
Loon Lake Union Hospital		175
Maple Creek School Division No. 17		76
Moose Jaw Roman Catholic School Division No. 22		675
Moose Jaw School Division No. 1		1,084
Nipawin School Division No. 61		648
North Battleford Roman Catholic School Division No. 16		1,276
Northern Lights School Division No. 113		1,310
St. Gabriel's Roman Catholic School Division No. 23		110
St. Paul's Roman Catholic School Division No. 20		387
St. Paul's Roman Catholic School Division No. 20		190
St. Paul's Roman Catholic School Division No. 20		831
Swift Current School Division No. 94		225
Thunder Creek School Division No. 78		710
Town of Eston		152
Town of Herbert		30
Town of Herbert		200
Town of Hudson Bay		313
Town of Humboldt		109
Town of Oxbow		205
Town of Pilot Butte		110
Town of Southey		152
Town of Wilkie		51
Village of Avonlea		153
Weyburn School Division No. 97		849
Yorkton Roman Catholic School Division No. 86		495
	$	12,500

Municipal Financing Corporation of Saskatchewan

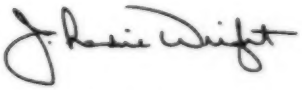
Management's Responsibility for Financial Reporting in the Annual Report

Management has prepared the financial statements of the Municipal Financing Corporation of Saskatchewan in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

E.J.C. Dudley & Co., the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.



J. Leslie Wright
Treasurer

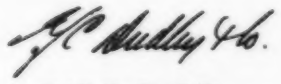
Municipal Financing Corporation of Saskatchewan

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Municipal Financing Corporation of Saskatchewan as at December 31,1989 and the statements of operations and reinvested earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
February 14, 1990

E.J.C. Dudley & Co.,
Chartered Accountants.

Municipal Financing Corporation of Saskatchewan

Statement of Financial Position

As at December 31

Assets	1989	1988
	(thousands of dollars)	
Current Assets:		
Cash	$ 316	$ 166
Interest receivable	6,897	6,941
	7,213	7,107
Investments in municipal debentures, at amortized cost (Market value 1989 - $155,608; 1988 - $154,705)	150,223	148,567
Debt issue costs	277	665
	$157,713	$156,339
Liabilities and Province's Equity		
Current Liabilities:		
Notes payable - Province of Saskatchewan	$ 16,000	$ 37,500
Accounts payable and accrued liabilities	5,145	4,836
Debentures payable within one year	37,014	8,500
	58,159	50,836
Long-term debentures payable (Note 3)	88,363	96,724
Commitments (Note 4)		
Province of Saskatchewan's Equity		
Reinvested earnings	11,191	8,779
	$157,713	$156,339

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Operations and Reinvested Earnings

For the Year Ended December 31

	1989	1988
	(thousands of dollars)	
Revenue		
Investment income	$ 18,718	$ 17,703
Expenses		
Interest on long-term debt	13,156	11,888
Interest on short-term debt	2,733	2,603
Amortization of debt issue costs	388	389
Administration	29	26
	16,306	14,906
Net earnings	2,412	2,797
Reinvested earnings, beginning of year	8,779	5,982
Reinvested earnings, end of year	$ 11,191	$ 8,779

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Cash Flows

For the Year Ended December 31

	1989	1988
	(thousands of dollars)	
Cash provided by (used in) operating activities		
Net earnings	$ 2,412	$ 2,797
Add charges to operations not requiring a current cash payment:		
Amortization of discounts and premiums	27	25
Amortization of debt issue costs	388	389
	2,827	3,211
Net change in non-cash working capital balances related to operations*	353	(652)
Cash provided by operating activities	3,180	2,559
Cash provided by (used in) investment activities		
Purchase of municipal debentures	(12,551)	(26,559)
Proceeds from maturing municipal debentures	10,868	8,466
Cash used in investment activities	(1,683)	(18,093)
Cash provided by (used in) financing activities		
Additions to (repayment of) notes payable - Province of Saskatchewan	(21,500)	18,500
Additions to long-term debt	28,653	—
Repayment of long-term debt	(8,500)	(3,500)
Cash provided by financing activities	(1,347)	15,000
Net increase (decrease) in cash during the year	150	(534)
Cash position, beginning of year	166	700
Cash position, end of year	$ 316	$ 166

* Net change in non-cash working capital balances related to operations

(Increase) decrease in interest receivable	$ 44	$ (640)
Increase (decrease) in accounts payable	309	(12)
	$ 353	$ (652)

(See accompanying notes)

Notes to Financial Statements

December 31, 1989

1. **Accounting Policies**

The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments in Municipal Debentures

Investments in municipal debentures are carried at amortized cost. The Corporation often purchases debentures at a premium or discount where the interest rate yield required by the Corporation varies from the coupon interest rate offered by the local governments. A portion of the outstanding premiums and discounts is amortized each year against interest income using the straight-line method. In this way effective income derived from each debenture is adjusted to equal the Corporation's required yield for that debenture to its maturity. This policy is only effected where the premium or discount, at the time of purchase, exceeds $250.

Debt Issue Costs

Debt issue costs are carried at cost less accumulated amortization to date. Debt issue costs are being amortized on a straight-line basis over the life of the related debt.

2. **Status of Corporation**

The Municipal Financing Corporation was established in 1969 pursuant to the provisions of The Municipal Financing Corporation Act.

The Corporation is a Provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

3. **Long Term Debentures Payable**

Series	Year of Repayment	Interest Rate	1989	1988
			(thousands of dollars)	
3	1989	9.875	$ -	$ 1,000
4	1989	9.750	-	1,000
9	1989	11.750	-	2,000
11	1989	12.000	-	2,500
10	1989	15.875	-	2,000
	1990	7.400	28,014	28,014
9	1990	11.750	1,000	1,000
11	1990	12.750	4,000	4,000
6	1990	9.250	2,000	2,000
10	1990	15.875	2,000	2,000
5	1991	9.500	1,000	1,000
3	1991	9.875	1,000	1,000
10	1991	15.875	5,000	5,000
3	1992	9.875	1,000	1,000
7	1992	9.125	1,000	1,000
5	1992	9.500	1,000	1,000
10	1992	15.875	3,000	3,000
	1992	10.750	26,710	26,710
8	1993	9.625	1,000	1,000
4	1993	9.750	2,000	2,000
4	1994	9.750	1,000	1,000
7	1994	9.250	1,000	1,000
8	1994	9.625	1,000	1,000
5	1994	9.625	1,000	1,000

3. Long Term Debentures Payable - continued

Series	Year of Repayment	Interest Rate	1989	1988
			(thousands of dollars)	
7	1995	9.250	$ 1,000	$ 1,000
6	1995	9.500	1,000	1,000
8	1995	9.625	1,000	1,000
8	1996	9.625	1,000	1,000
5	1996	9.750	1,000	1,000
8	1997	9.625	1,000	1,000
5	1997	9.750	1,000	1,000
11	1997	12.750	1,500	1,500
9	1999	12.000	1,000	1,000
9	2000	12.000	1,000	1,000
11	2002	12.875	2,500	2,500
	2009	10.170	24,053	-
	2009	10.010	4,600	-
			125,377	105,224
Repayment required within one year			37,014	8,500
Net long-term debentures payable			$ 88,363	$ 96,724

Principal payments due on long-term debt for the next five years are as follows (in thousands of dollars):

1990	$ 37,014
1991	7,000
1992	32,710
1993	3,000
1994	4,000

4. Commitments

Prior to December 31, 1989 the Board of Directors had approved the purchase of debentures from certain local governments of which $3.069 million were not purchased before the year-end.

5. Related Party Transactions

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.